



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	HB0676	Title:	Statutory implementation of general appropriations act
Primary Sponsor:	Sesso, Jon C	Status:	As Introduced

- | | | |
|---|---|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:					
General Fund	\$0	(\$3,052,205)	(\$3,097,988)	(\$3,144,458)	(\$3,191,625)
State Special Revenue	(\$607,935)	\$2,280,773	\$0	\$0	\$0
Enterprise Fund	\$0	(\$2,481)	(\$2,481)	(\$2,481)	(\$2,481)
Revenue:					
General Fund	(\$607,935)	(\$385,847)	\$0	\$0	\$0
State Special Revenue	\$0	(\$385,585)	(\$3,095,507)	(\$3,141,977)	(\$3,189,144)
Enterprise Fund	\$0	(\$2,481)	(\$2,481)	(\$2,481)	(\$2,481)
Net Impact-General Fund Balance:	<u>(\$607,935)</u>	<u>\$2,666,358</u>	<u>\$3,097,988</u>	<u>\$3,144,458</u>	<u>\$3,191,625</u>

Description of fiscal impact: HB 676 implements statutory provisions of certain funding included in HB 2. The bill includes some transfers of money from one fund to another, eliminates the general fund transfer to the Highway State Special Revenue (Non-Restricted) Account, temporarily eliminates reversions from the Coal Severance Tax Shared Account, changes fund type for funding for the Alfalfa Seed Committee and Leaf Cutting Bee account, and requires reports to the next legislature from the Department of Public Health and Human Services and the Office of Public Defender.

FISCAL ANALYSIS

Assumptions:

Department of Agriculture

1. The bill changes the fund type for the operation of the Alfalfa Seed Committee and the Leaf Cutting Bee account from an enterprise fund to a state special revenue fund. HB 2 currently reflects funding of \$2,481 each year in expenditures from the state special revenue account.

Department of Transportation

2. The bill eliminates a transfer of just over \$3 million annually from the general fund to the Highway State Special Revenue (non-restricted) account. The transfer was a result of HB 124 (“The Big Bill”) passed by the 2001 Legislature that eliminated another revenue source for the account and replaced it with the transfer.

Coal Severance Tax Shared Account

3. In accordance with 15-35-108, the Coal Severance Tax Shared Account can only be used for provision of basic library services to for residents of all counties through library federations and for payment of the costs of participating in regional and national networking (Montana State Library), conservations districts (DNRC), and the Montana Growth Through Agriculture Act (Dept of Agriculture). The unreserved fund balance at the end of each fiscal year must be deposited in the general fund.
4. HB 676 delays the reversion of the unreserved fund balance to begin July 1, 2012 in order to maintain a positive ending fund balance in the fund through the next biennium. Transfers of just over \$600,000 in FY 2009 and just under \$400,000 in FY 2010 will no longer occur.

Natural Resources Operations Account

5. The Natural Resources Operations Account is used to fund certain operations in the Department of Environmental Quality, the Department of Natural Resources and Conservation, the Water Court (Judicial Branch), and the Montana Bureau of Mines and Geology.
6. Revenue for the account comes primarily from interest on the resource indemnity trust, the metal mines license tax, and the oil and natural gas production tax.
7. The bill provides for a transfer of \$2,064,139 from the Water Adjudication State Special Revenue Account to the Natural Resources Operations Account to fund the Water Court for the 2011 biennium.
8. In addition, the bill provides for a transfer of \$600,000 from the Environmental Quality Protection Fund (EQPF) to the Natural Resources Operations Account.

Department of Public Health and Human Services

9. The bill provides that the department may not expend more from the state special revenue fund for the operation of the state veterans’ nursing homes than is appropriated by the legislature and may not transfer money or appropriation authority out of the fund. There is no fiscal impact from this change.
10. The bill requires the department’s budget request for the 2013 biennium to identify changes necessary to reduce the 2013 biennium expenditures to the level funded in HB 2. HB 2 currently includes \$30 million in one-time-only funding for current level programs.
11. The department must develop a work plan to identify, evaluate, and select initiatives to reduce ongoing state spending in its 2013 biennium budget initiative. While there is no effect of this requirement in the 2011 biennium, the 2013 biennium will show the decreased level of services associated with the \$30 million reduction.
12. If program reductions occur in areas where state funds are used to match federal funds, then federal funds would be reduced as well. This federal fund reduction, if applied at the Federal Medical Assistance Percentage (FMAP) rate could be as much as \$118 million in FY 2012 and \$101 million FY 2013.

Office of Public Defender

13. The Office of Public Defender is required by the bill to report data representing caseload for the public defender system to the Legislative Finance Committee. There is no fiscal impact as a result of this report.

Department of Agriculture

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<u>Fiscal Impact:</u>				
<u>Funding of Expenditures:</u>				
State Special Revenue (02)	\$2,481	\$2,481	\$2,481	\$2,481
Enterprise Fund (06)	<u>(\$2,481)</u>	<u>(\$2,481)</u>	<u>(\$2,481)</u>	<u>(\$2,481)</u>
TOTAL Funding of Exp.	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
<u>Revenues:</u>				
State Special Revenue (02)	\$2,481	\$2,481	\$2,481	\$2,481
Enterprise Fund (06)	<u>(\$2,481)</u>	<u>(\$2,481)</u>	<u>(\$2,481)</u>	<u>(\$2,481)</u>
TOTAL Revenues	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

Department of Transportation

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Transfers	(\$3,052,205)	(\$3,097,988)	(\$3,144,458)	(\$3,191,625)
<u>Funding of Expenditures:</u>				
General Fund (01)	(\$3,052,205)	(\$3,097,988)	(\$3,144,458)	(\$3,191,625)
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Rev (Transfer)	(\$3,052,205)	(\$3,097,988)	(\$3,144,458)	(\$3,191,625)

Coal Severance Tax Shared Account

	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<u>Fiscal Impact:</u>					
<u>Expenditures:</u>					
Transfers	(\$607,935)	(\$385,847)	\$0	\$0	\$0
<u>Funding of Expenditures:</u>					
SSR (02) - Coal Shared Acct	(\$607,935)	(\$385,847)	\$0	\$0	\$0
<u>Revenues:</u>					
General Fund (01)	(\$607,935)	(\$385,847)	\$0	\$0	\$0
SSR (02) - Coal Shared Acct	\$0	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0	\$0

Natural Resource Operations Account

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Transfers	\$2,664,139	\$0	\$0	\$0
<u>Funding of Expenditures:</u>				
SSR (02) EQPF	\$600,000			
SSR (02) Water Adjudication	\$2,064,139	\$0	\$0	\$0
<u>Revenues:</u>				
SSR (02) Water Adjudication	\$0	\$0	\$0	\$0
SSR (02) Nat Res Operations	\$2,664,139	\$0	\$0	\$0

Summary

	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>					
General Fund (01)	(\$607,935)	\$2,666,358	\$3,097,988	\$3,144,458	\$3,191,625
State Special Revenue (02)	\$607,935	(\$2,666,358)	(\$3,097,988)	(\$3,144,458)	(\$3,191,625)
Enterprise Fund (06)	\$0	\$0	\$0	\$0	\$0

Long-Term Impacts:**Department of Transportation**

1. In order to address this revenue reduction, the department will have to make additional draw-downs from the Highway State Special Revenue Account or reduce spending by these amounts. Appropriations from the fund go to the Department of Transportation, the Department of Justice, and the Department of Fish, Wildlife and Parks.

Technical Notes:**Department of Public Health and Human Services****Section 10(7)(a)**

1. The language in this section is unclear in regard to other required increases that may normally occur in the budget request process. Due to the one-time-only appropriations, the base budget for the next biennium will be \$30 million lower than actual expenditures. The department will identify a plan for the reduced expenditure level. However, it is assumed that the department may also have decision packages to increase the budget (as would traditionally occur). This could be made more clear in the bill. For example SNAP (formerly known as Food Stamps) and Medicaid expenditures may need to be increased, as it is a federal mandate that these benefits be paid. As another example, the department has a substantial number of long term leases for office space that have built in accelerator clauses to the lease payment of approximately three percent per year. These leases are negotiated by Department of Administration, and are not under DPHHS control. Other expenditures categories increase with inflation such as power, water, sewer and gasoline.
2. Depending on the program or plan, agency data systems may need to be modified or enhanced to implement the changes. This process cannot be accomplished in a short time frame.

Section 9(1)(a)

3. The state veterans homes are 24/7 facilities that provide nursing home level of care. Should the collected revenues not equal the projected/appropriated revenues for these state veterans homes, then the facility will be required to look for other sources of revenue such as general fund to meet the expenditures related operating a 24/7 facility.
4. Any reduction to costs that are associated with insufficient revenues may result in reduction of services and/or limitations on admissions to the facility for eligible veterans should this source of revenue not be available.

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date